

**PUBLIC DISCLOSURE**

**December 20, 2010**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**MONSON SAVINGS BANK**

**90245**

**107A MAIN STREET**

**MONSON, MA 01057**

**Division of Banks**

**1000 Washington Street**

**Boston, MA 02118**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Monson Savings Bank** (or the "Bank"), prepared by the Division, the institution's supervisory agency.

## INSTITUTION RATING

### **INSTITUTION'S CRA RATING:**

**This institution is rated "Satisfactory."**

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Monson Savings Bank has demonstrated an adequate responsiveness to the financial needs of its assessment area. The following summarizes the Bank's performance.

- The loan-to-deposit ratio is considered good given the Bank's size, financial condition, and the credit needs of its assessment area.
- The majority of the home loans are inside the institution's assessment area.
- The distribution of home loan originations reflects, given the demographics of the assessment area, a reasonable penetration among borrowers of different income levels.
- The Bank's assessment area contains no low or moderate income census tracts. A review of the Bank's lending performance within middle- and upper-income census tracts supports the Bank's overall rating.
- The Bank has not received any complaints related to its performance in meeting assessment area credit needs.

## **SCOPE OF EXAMINATION**

Small Bank CRA examination procedures were used to evaluate Monson Savings Bank's CRA performance. The Small Bank CRA examination procedures evaluate a bank's CRA performance pursuant to the following criteria: Loan-to-Deposit (LTD) ratio, assessment area concentration, the geographic distribution of loans, the borrower's profile, and response to CRA complaints. The Bank's assessment area includes only middle- and upper-income census tracts; therefore, the geographic distribution of the originations was heavily weighed. Monson Savings Bank has not received any CRA-related complaints; therefore, this performance criterion was not a significant factor in the overall evaluation of the institution.

The loan products included in the analysis are mortgage loans reportable pursuant to the Home Mortgage Disclosure Act (HMDA) originated during 2009 and 2010 and Small Business Loans originated during 2009. These originations include residential loans for purchase, refinance, or home improvement. Residential loans include those secured by one- to four-family and multi-family (five or more) properties. Small business loans for purposes of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. As the Bank is primarily a residential lender, its residential lending performance carried the most weight in determining the Bank's lending related performance ratings.

Given the Bank's asset size, it is not subject to CRA small business loan reporting requirements. Therefore, a random sampling of loans was conducted in accordance with Interagency Small Bank Examination Procedures. Examiners identified a random sample of small business loans from 2009. Examiners reviewed these loans to determine the concentration of lending within the assessment area, and the distribution of loans to businesses of different sizes.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Monson Savings Bank is a state-chartered savings bank, incorporated in 1872. The Bank's administrative offices and its main office are located at 146 Main Street in Monson. The Bank operates two full-service branch offices, one located at 15 Somers Road in Hampden and the other branch located at 100 Post Office Park, Wilbraham. The Bank's main office is located in a middle-income census tract and the other two offices are located in upper-income census tracts. The Bank also has a loan Operations Center located at 197 Main Street in Monson.

All offices offer drive-up teller facilities and 24-hour ATM service with network access via NYCE, CIRRUS. Monson Savings Bank is a SUM network member. SUM member banks do not levy ATM surcharges on their own customers or to other members' customers with the exception of the Monson office.

As of December 31, 2010, Monson Savings Bank had total assets of \$236.1 million; total loans represented \$161.1 million or 68.2 percent of assets. The table below details the Bank's loan portfolio.

<b>Table 1</b> <b>Loan Portfolio as of December 31, 2010</b>		
<b>Type of Loans</b>	<b>\$(000s)</b>	<b>% of Total Loans</b>
Construction & Land Development	9,393	5.8
Residential Real-Estate (1-4 family)		
a. Closed-end loans	61,033	37.9
b. Home Equity Lines/Loans	18,499	11.5
Multifamily	10,804	6.7
Commercial Loans		
a. Commercial Real Estate.	32,776	20.4
b. Commercial Loans	27,868	17.3
Consumer Loans		
a. Credit Cards		
b. Loans to Individuals	669	0.3
Other Loans	59	0.1
<b>Total</b>	<b>161,101</b>	<b>100.0</b>

Source: FDIC Call Report of Condition, 12/31/10

Monson Savings Bank's lending remains centered in residential loans with first and second lien mortgages and equity loans (combined) comprising 49.4 percent of total loans. However, lending diversification is evident with commercial real estate and commercial loans representing the second largest segment (37.7 percent) of the Bank's loans. Lastly, construction and multifamily loans (5 units or more) combined, represented 12.5 percent of total loans, while consumer loans represented 0.3 percent of all loans.

As primarily a mortgage lender with diversification in commercial lending, Monson Savings Bank is an approved secondary market seller/servicer with the Federal National Mortgage Association ("FNMA"). Monson Savings Bank is also a member of the Federal Home Loan Bank of Boston ("FHLBB"). The Bank became a Small Business Administration ("SBA") approved lender in June 1999. The institution's ability to meet community credit needs remains adequate, based on its financial condition, size and product offerings.

The Federal Deposit Insurance Corporation ("FDIC") evaluated Monson Savings Bank for CRA performance as of March 31, 2008 and assigned the Bank an overall "Satisfactory" rating. The Division last conducted a CRA evaluation as of March 7, 2005. This evaluation resulted in a "Satisfactory" rating.

### **Description of Assessment Area**

The CRA requires financial institutions to define a specific assessment area or areas within which they will concentrate their lending efforts. The Division and the FDIC evaluate an institution's CRA performance within one or more defined assessment areas. Monson Savings Bank's assessment area is located just east of Springfield, Massachusetts, and includes the towns of Belchertown, Brimfield, Hampden, Holland, Monson, Palmer (including Thorndike, Bondsville, and Three Rivers), Wales and Wilbraham. All of the towns are located in the Springfield Metropolitan Statistical Area ("MSA").

The assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Refer to Table 2 below for pertinent demographic information about the assessment area.

<b>Table 2 Demographic Information</b>					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	10	0.0	0.0	60.0	40.0
Population by Geography	59,951	0.0	0.0	60.1	39.9
Owner-Occupied Housing by Geography	18,214	0.0	0.0	58.2	41.8
Business by Geography	3,858	0.0	0.0	60.3	39.7
Family Distribution by Income Level	16,647	12.2	15.6	22.5	49.7
Distribution of Low and Moderate Income Families throughout AA Geographies	4,619	0.0	0.0	70.6	29.4
Median Family Income		\$51,150	Median Housing Value		\$140,180
HUD Adjusted Median Family Income for 2009 (MSA)		\$66,200			
Households Below Poverty Level		7%			

Source: 2000 U.S. Census Data

As the data in Table 2 shows, the area is comprised of ten census tracts which include six middle-income tracts and four upper-income tracts. There are no low- or moderate-income census tracts within Monson Savings Bank's assessment area.

Palmer accounts for three tracts (all middle-income); Wilbraham accounts for two tracts (both upper-income); Hampden (upper-income) and Monson (middle-income) each account for one tract; and Brimfield, Holland, and Wales account for one tract (middle-income). All are located in Hampden County. Belchertown, which accounts for two tracts (one middle-income and one upper-income), is located in Hampshire County.

The towns comprising the Bank's assessment area are generally rural and lightly populated. The total population of the assessment area, as of the 2000 Census, is 59,951. Belchertown and Wilbraham are the largest communities within the assessment area, each with a population of approximately 14,000, followed by Palmer with 12,926, Monson with 8,792 and Hampden with 5,328.

There are 22,669 households, of which 16.9 percent are low-income, 12.5 percent are moderate-income, 17.6 percent are middle-income, and 53.0 percent are upper-income. Approximately 39.2 percent of the low-income households are below the poverty level (6.7 percent of all households are below the poverty level).

According to 2000 U.S. Census data, the area contains 24,068 housing units, of which 18,214 or 75.7 percent are owner-occupied. Approximately 89.4 percent of the housing stock consists of one-to-four unit properties with an additional 5.8 percent classified as multi-family properties (five or more units). The remaining 4.8 percent of the housing stock consists of mobile homes, boarded-up units, and other miscellaneous housing.

Springfield, which is the major urban center of western Massachusetts, borders the assessment area to the west. Assessment area residents also commute to employers in nearby Worcester, Massachusetts, and Hartford, Connecticut.

The Bank's main competition includes large nationally-chartered banks such as Bank of America and TD BankNorth, as well as local banks such as Country Bank for Savings and Citizens Bank.

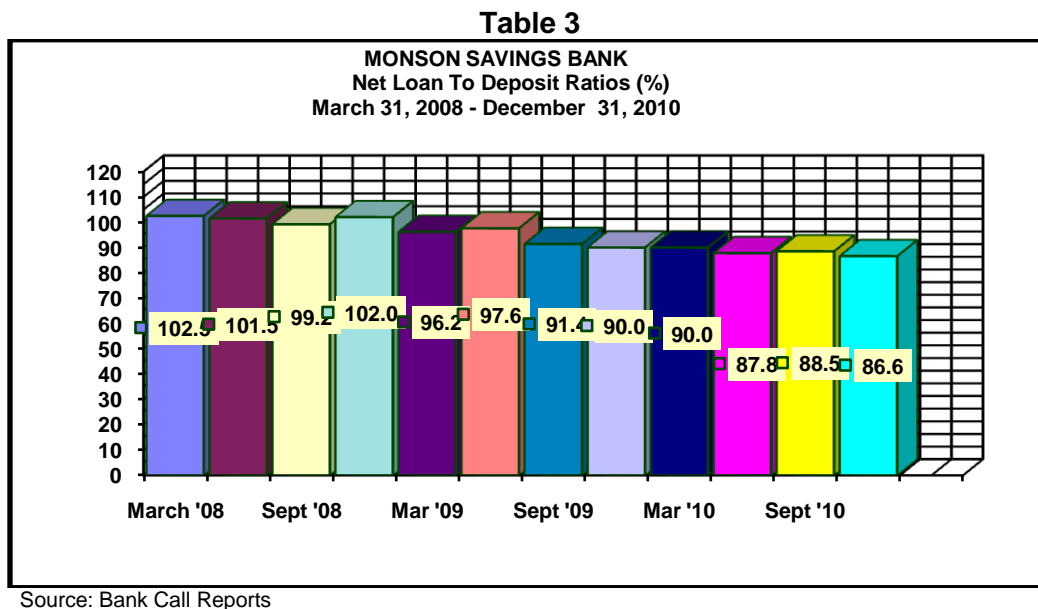
The assessment area has no one primary credit need. However, given that the area is largely comprised of residential communities, residential home loan products are perhaps in most demand. The area's residents need a variety of consumer loan products to meet personal needs and an array of home financing programs for the purchase, construction, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

## **PERFORMANCE CRITERIA**

Small Bank CRA Examination Procedures require the evaluation requires consideration of the bank's lending performance pursuant to the following five criteria: loan-to-deposit ratio, lending in the assessment area, lending to borrowers of different incomes, geographic distribution, and response to CRA-related complaints. The response to CRA-related complaints criterion was excluded from the rating determination since the bank received no CRA-related complaints during the evaluation period.

### **Loan-to-Deposit Ratio (LTD)**

The Bank's LTD ratio is more than reasonable. The analysis of Monson Savings Bank's quarterly net LTD ratios from March 31, 2008 through December 31, 2010 was conducted using the Bank's quarterly Federal Deposit Insurance Corporation's Report of Condition and Income (Call Reports). The Bank's average net LTD ratio for the period is 94.4 percent. This ratio is based upon loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The following graph is provided for further illustration.



As shown in the table, the Bank's LTD ratio demonstrates a generally decreasing trend during the previous 12 quarters. The Bank's LTD decreased from a high of 102.5 percent in March of 2008 to the current figure of 86.6 percent as of December 2010. The declining trend is due to the Bank selling loans to the secondary market more aggressively than in the previous years. Specifically, from March 30, 2008 through December 31, 2010 the Bank sold 829 loans totaling \$144.4 million. Selling loans not only permits Monson Savings Bank to better manage interest rate risk, but it also allows the Bank to originate a larger volume of loans than would otherwise be possible.

The Bank was also compared to other similarly situated institutions in terms of total assets, lending focus, and geographic location. Table 4 illustrates the asset size and average net LTD ratios from March 31, 2008 through December 31, 2010 for Monson Savings Bank as compared to similarly situated institutions.



Table 4 Peer Group LTD Comparison		
Bank Name	Asset Size \$(000's)	Average LTD ratio
Hometown Bank	221,765	97.0
<b>Monson Savings Bank</b>	<b>236,070</b>	<b>94.4</b>
Millbury Savings Bank	203,659	80.0
Greenfield Cooperative Bank	287,918	73.1
Northampton Cooperative Bank	155,379	72.4
North Brookfield Savings Bank	191,851	69.3
Stafford Savings Bank	213,231	55.7
SOURCE: FDIC Call Reports		

As seen in Table 4, Monson Savings Bank has the second highest average LTD ratio of 94.4 percent when compared to the other similarly situated institutions.

Monson Savings Bank's net loan to deposit ratio is considered to be good at this time.

### Lending in Assessment Area

This performance criterion determines what percentage of the Bank's lending occurs within the assessment area and evaluates its appropriateness. Based on a review of the residential loan data, a majority of the Bank's lending activity occurs in the assessment area. The Bank originated 63.3 percent of residential loans by number and 53.3 percent of residential loans by dollar volume within its assessment area for the period under review. Refer to the following table for the distribution of residential loans inside and outside the assessment area.

Table 5 Distribution of Residential Mortgage Loans										
Year and Purpose	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
<b>2009</b>										
Purchase	38	34.5	72	65.5	110	6,876	34.4	13,115	65.6	19,991
Home Improvement	25	56.8	19	43.2	44	3,842	51.8	3,574	48.2	7,416
Refinance	234	59.2	161	40.8	395	42,410	57.1	31,849	42.9	74,259
<b>Total</b>	<b>297</b>	<b>54.1</b>	<b>252</b>	<b>45.9</b>	<b>549</b>	<b>53,128</b>	<b>52.3</b>	<b>48,538</b>	<b>47.7</b>	<b>101,666</b>
<b>2010</b>										
Purchase	30	33.7	59	66.3	89	5,003	32.6	10,365	67.5	15,368
Home Improvement	24	53.3	21	46.7	45	2,972	48.2	3,194	51.8	6,166
Refinance	159	51.8	148	48.2	307	28,000	49.7	28,310	50.3	56,310
<b>Total</b>	<b>213</b>	<b>48.3</b>	<b>228</b>	<b>51.7</b>	<b>441</b>	<b>35,975</b>	<b>46.2</b>	<b>41,869</b>	<b>53.8</b>	<b>77,844</b>
<b>Grand Total</b>	<b>510</b>	<b>51.5</b>	<b>480</b>	<b>48.5</b>	<b>990</b>	<b>89,103</b>	<b>49.6</b>	<b>90,407</b>	<b>54.4</b>	<b>179,510</b>

Source: Bank Data (HMDA LARs for, 2009 and 2010)

### Residential Lending

The analysis performed for this criterion revealed that a majority of the total number of residential mortgage loans the Bank extended in 2009 and 2010 were inside the assessment area. However, for 2010, there was not a majority inside the assessment area.

As noted above, the number of loans inside the assessment area from 2009 to 2010 decreased 5.8 percent. Further, the percentage of loans originated inside the assessment area went from 54.1 percent to 48.3 percent. It should be noted Monson Savings Bank ranked 2<sup>nd</sup> in market share out of 181 HMDA reporting lenders in 2009. The only bank ranked higher than Monson Savings Bank was Country Bank for Savings with total assets of \$1.4 billion. Given the competition in the area, coupled with the poor real estate environment, the Bank's performance is considered reasonable but should be monitored under this criterion going forward.

### **Small Business Lending**

The analysis performed for this criterion revealed that, in the sample reviewed, a majority of the number of small business loans the Bank extended in 2010 were inside the assessment area. Table 6 illustrates the Bank's record of extending small business loans inside and outside the assessment area by number and dollar amount from the 2010 sample.

<b>Table 6 Distribution of Small Business Loans</b>										
	<b>Number of Loans</b>					<b>Dollars Amount \$(000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>\$</b>
<b>2010</b>	<b>33</b>	<b>50.8</b>	<b>32</b>	<b>49.2</b>	<b>65</b>	<b>4,149</b>	<b>29.3</b>	<b>10,002</b>	<b>70.7</b>	<b>14,151</b>

*Source: sampled Bank CRA data*

As shown in Table 6, the total volume of small business loans were originated within the Bank's assessment area, but the majority by dollar volume was outside the assessment area.

Based on all of the above information, Monson Savings Bank's lending inside its assessment area is reasonable, as a majority of its loans are in the Bank's area.

### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels, including those of low- and moderate-income, and businesses of different sizes.

### **Residential Lending**

The Bank's HMDA reportable loans were analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes for 2009 and 2010 were compared to the median family incomes for the Springfield MSA. The income figures are based on median family income derived from data collected during the census for the respective MSA. The MSA median income figures are adjusted annually by the Department of Housing and Urban Development (HUD) to allow for factors such as inflation and other economic events. The median family incomes for the Springfield MSA for 2009 and 2010 were \$67,200 and \$67,400 respectively.

Low-income is defined as income that is less than 50 percent of the area median income; moderate-income is defined as income that is at least 50 percent but less than 80 percent of the area median; middle-income is defined as income that is at least 80 percent but less than 120 percent of the area median income; and upper-income is defined as income that is 120 percent or more of the area median income.

The following table breaks out the loans the Bank originated inside the assessment area in 2009 and 2010 categorized by the applicants' reported income in relation to the HUD-adjusted median family income for the Springfield MSA for the respective year. The table also presents the distribution of families by income level and the aggregate market data for 2009.

The following table compares the Bank's borrower income distribution to that of the HMDA aggregate lenders. In addition, the table compares these presentations to the distribution of the assessment area's family households by income categories.

<b>Table 7</b>								
<b>Residential Mortgage Loans by Borrower Income</b>								
<b>Median Family Income Level</b>	<b>Family Households (% of #)</b>	<b>Bank 2009</b>		<b>2009 Aggregate Lending Data</b>	<b>Bank 2010</b>		<b>Bank Total</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	12.2	6	2.0	3.8	12	5.6	18	3.5
<b>Moderate</b>	15.6	38	12.8	15.5	25	11.7	63	12.4
<b>Middle</b>	22.5	76	25.6	25.3	60	28.2	136	26.7
<b>Upper</b>	49.7	160	53.9	43.7	113	53.1	273	53.5
<b>NA</b>	0.0	17	5.7	11.7	3	1.4	20	3.9
<b>Total</b>	100.0	297	100.0	100.0	213	100.0	510	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

During the period reviewed, Monson Savings Bank extended 18 HMDA-reportable loans in the assessment area to low-income borrowers, representing 3.5 percent of total originations. The Bank also extended 63 loans to moderate-income borrowers, representing 12.4 percent of total originations. As reflected in the table, the Bank's percentage of lending to low- and moderate-income borrowers is slightly less than the aggregate's lending in 2009, the most recent year for which aggregate data is available.

The Bank's lending to low-income borrowers in both 2009 and 2010 was less than the percentage of low-income families in the assessment area. Given the cost of housing in the area, and its impact on a low-income applicant to purchase a home, the Bank's low-income percentage, and factoring in the percentage of family households that are below poverty level, is considered adequate.

Monson Savings Bank achieved very good market ranks. Analysis of the 2009 data revealed that the Bank ranked 4<sup>th</sup> in market share out of 181 HMDA reporting lenders to low-income individuals, and 3<sup>rd</sup> to moderate-income individuals. The majority of the lenders ranking higher were large national banks and mortgage companies. The rankings indicate that the Bank has been successful in helping meet the home mortgage lending needs of low- and moderate-income residents in their assessment area.

Analyses of the Bank's lending performance by purpose (home purchase, refinance, and home improvement) revealed that Monson Savings Bank was less than the aggregate in each category in 2009 to low-income borrowers. In addition, the Bank's performance was less than aggregate to moderate-income borrowers with the exception of the re-finance loans that were very similar. A review of the 2010 data revealed that Monson Savings Bank performed better than 2009 with the exception of refinance loans to moderate-income borrowers. While there is some variation by loan purpose and by year, these analyses provide support to the overall assessment that the distribution of borrowers reflects a satisfactory penetration among individuals of different income levels.

### **Small Business Lending**

Table 8 illustrates the distribution of the Bank's 2010 small business lending within the assessment area by size of business, as determined by gross annual revenue (GAR) category. For comparison purposes, the table includes the percentage of businesses within each income category.

<b>Table 8</b>					
<b>Distribution of Small Business Loans by Income Category of Census Tract</b>					
<b>GAR Level</b>	<b>% Total Businesses</b>	<b>2009 Bank Data</b>			
		<b>#</b>	<b>% of #</b>	<b>\$ (000s)</b>	<b>% of \$</b>
<b>&lt;= \$1 million</b>	59.1	25	75.8	2,627	63.3
<b>&gt; \$1 million</b>	8.9	8	24.2	1,522	36.7
<b>Unknown</b>	32.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>4,149</b>	<b>100.0</b>

*Source: 2009 Dun & Bradstreet Business Geodemographic data, 2009 sampled Bank CRA data*

As shown in Table 8, the Bank made 75.8 percent by number and 63.3 percent by dollar amount of their small business loans inside their assessment area to businesses with GAR of \$1 million or less. By number, the Bank's percentage is greater than the percentage of assessment area businesses in that size category (59.1 percent), which reflects the Bank's success at meeting the credit needs of small businesses.

Monson Savings Bank is considered to meet the standards for satisfactory performance in this criterion.

### **Geographic Distribution of Loans**

Lending activity within the assessment area was reviewed in order to determine the distribution of lending among the various census tracts. The assessment area is comprised of 10 census tracts: six middle-income and four upper-income census tracts.

The analysis of the geographic distribution of residential loans and a comparative analysis of 2009 HMDA aggregate data indicates that Monson Savings Bank's loans are reasonably dispersed throughout the assessment area.

### **Response to Substantiated Complaints**

Monson Savings Bank did not receive any CRA-related complaints since the previous FDIC CRA evaluation.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Bank's fair lending data was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. The Bank incorporates reference to Fair Lending as part of its written residential and consumer loan policies.

A thorough review of the public comment file revealed that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

Fair lending training program is provided to all newly hired employees and annually to all staff and management of the Bank. The Bank's Compliance Committee members are responsible for the oversight of all employees training with regard to all fair lending laws and regulations.

The Bank's Marketing Department communicates the availability of credit products utilizing a variety of communication mediums such as newspaper advertisements, direct mail, branch lobby brochures, periodic statement stuffers, website information, and community outreach presentations.

The Bank employs 70 employees; 13 are part-time of which two speak a second language. Employees are available to translate for customers in French and German.

Monson Savings Bank has a second review program for all mortgage and home equity credit applications that are slated to be denied as part of the Bank's loan policy. In addition, the Bank annually analyzes its HMDA loan and application data to borrower incomes, race and gender, and geographic location. This analysis is done to provide the Bank with feedback as to its lending patterns and its rate of non-originated applications. Finally, the Bank, also on an annual basis, analyzes its commercial lending activity.

### **Minority Application Flow**

The Bank's minority loan applications are compared to the aggregate HMDA lenders' data and to the assessment area's demographics to determine the reasonableness of the institution's level of attracting minority applicants. Based on the 2000 U.S. Census, the assessment area's population is 59,951 of which 2,289 persons or 3.8 percent are minority residents. The minority population consisted of Native Americans (0.2%), Asian/Pacific Islanders (0.7%), African Americans/Black (0.7%), Hispanics (1.3%) and other race minorities (0.9%).

The Bank received 672 HMDA reportable loan applications from within its assessment area in 2009 and 2010. Of these applications, 10 or 1.5 percent were received from minority applicants, of which 9 or 90.0 percent resulted in originations. The Bank also received 9 or 1.4 percent HMDA reportable applications from ethnic groups of Hispanic origin within its assessment area, of which 6 or 66.7 percent resulted in originations.

The Bank's minority application flow for this period was compared with the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the rate of application the Bank received from minority credit applicants. The Bank received fewer applications from minorities in 2009 (1.6 percent) than the aggregate which was at 2.7 percent. In 2010 the Bank reported fewer applications (1.4 percent) to minority applicants when compared to 2009. The Bank also received fewer applications from Hispanic applicants (.8 percent) overall in 2009 than the aggregate (2.0 percent). In 2010 the Bank reported 2.2 percent of its applications were from Hispanic applicants.

## **APPENDIX A**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.



## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 107A Main Street, Monson, MA 01057."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.